

d. Headquarters Determination. For any changes that cannot be approved in the region, the region will submit the request to APP-520. Documentation may be requested by APP-520 for an evaluation of the request. (See Paragraph 31.)

1062. ANNOUNCEMENT OF CHANGES TO APPROVED PROGRAM.

Changes made under Regional authority should be announced to congressional offices in accordance with procedures in Order 5100.20, Program Control and Reporting Procedures.

1063. - 1069. RESERVED.

Section 8. LETTERS OF INTENT

1070. GENERAL.

The FAA is authorized to issue a letter of intent (LOI) for certain airport development projects when current obligating authority is not timely or adequate to meet a sponsor's desired timing for a project. Under this provision, a sponsor may notify the FAA of an intention to carry out a project without Federal funds and request that the FAA issue an LOI. The FAA evaluates the proposal and, if approved, issues a letter stating that reimbursement will be made according to a given schedule, as funds become available. A sponsor who has received an LOI may proceed with a project without waiting for an AIP grant. The Sponsor is assured that all allowable costs related to the approved project remain eligible for reimbursement.

1071. ELIGIBILITY.

a. Airport. LOIs may be issued to cover work only at primary and reliever airports.

b. Airfield Project. The project must enhance airfield capacity or be supporting development directly related to the primary project to be eligible for a letter of intent. Any development directly related to the primary project, to be included in the LOI, is also subject to the review factors and conditions of the primary project of the LOI. An example of a directly related project includes an extension of a taxiway to match a runway extension. An example of a project that is not directly related would be the construction of a public roadway serving a terminal building in an LOI for a new runway or extension.

c. Payment of Interest. The payment of interest from bonds or other forms of indebtedness under an LOI is not allowable. Accordingly, in submitting an LOI application, interest costs may not be included in project costs and will not be covered as part of an approved LOI. Additionally, the FAA will not recognize the cost of interest as an allowable expense in processing a request for payment of grant funds under a grant agreement executed pursuant to an LOI.

However, once allowable expenses have been incurred by the sponsor for approved LOI project capital costs, amounts paid to the sponsor by the FAA under the LOI constitute reimbursements. The FAA does not generally track or monitor airport sponsors' uses of payments under grant agreements after receipt of those payments by the sponsor. Therefore, the FAA has no objection to the use of reimbursement payments, upon receipt by the sponsor, for any lawful airport purpose, including the payment of interest on airport obligations.

1072. FACTORS IN CONSIDERING LOIs:

The FAA will consider these factors in reviewing requests for LOIs:

a. For projects at large and medium hub airports, the project's effect on the overall national air transportation system capacity. The FAA will determine the current annual hours of flight delay for and reduced annual aircraft and passenger delays at current and future airport activity levels. Data required for FAA analysis includes: the approved Airport Layout Plan, fleet mix, type of operation, peak hour airfield mix by class, runway occupancy times, taxiway exit percentages, noise, obstructions, terrain,

aircraft departure and arrival constraints, minimum vectoring altitudes, aircraft separations, length of and approach speeds on typical approach by aircraft type, weather conditions, runway dependencies, and the different runway use configurations in the various wind and weather conditions. Also, required for analysis is the enplanement forecast for the period of construction and the growth rate of enplanements for out years beyond construction.

b. A Positive Benefit/Cost Ratio: A project Benefit/Cost Analysis (BCA) will involve a detailed review of future benefits and costs for each year of the project's expected life, discounted to present value at an appropriate discount rate. The FAA will consider benefits in terms of annual cost savings attributable to reduced delays, and the monetary value of saved passenger time. In addition, the net value to the airlines, the airport, and the public from additional airline service made possible by the project will be considered. Total costs attributed to the project include, but are not limited to, land acquisition, site preparation, environmental and noise mitigation, engineering, and construction. The FAA recommends all benefit/cost analysis be conducted in accordance with the guidance issued on December 15, 1999. The guidance may be downloaded from the FAA Airports web site at <http://www.faa.gov/arp/bca.htm>.

c. Sponsor Financial Commitment, (LOI Finance Template). The FAA will determine the sponsor's financial commitment in the analysis of an airport's financial plan. The FAA has established a Finance Template (See Appendix 29) for the purpose of standardizing the submittal of an airport's financial plans. Historically, FAA has requested supplemental or modified financial data from airports during the LOI review process. By standardizing the financial plan submittals, the LOI review process will permit FAA personnel to efficiently and effectively perform the financial analysis.

In addition to the LOI finance template, the sponsor should provide the entire capital improvement plan that covers the life of the LOI request. This list of projects, both within the LOI and outside the LOI, should contain the total project costs, and a cost breakdown by source of funds. The FAA will utilize this supplemental information to consider other sponsor commitments that may impact the sponsor's ability to pledge specific sources of funds. Also, this information may highlight a sponsor's use of entitlement funds to other higher priority projects. Finally, FAA will consider the sponsor's contribution from non-federal funding sources, airport revenue diversion, grand-fathered payments to other governmental offices, and whether or not the sponsor plans to proceed with the project in accordance with all applicable statutory and administrative requirements, with the LOI payments to be used as reimbursement for advance expenditures. The FAA will not consider an LOI payment schedule that directly matches an airport's capital drawdown schedule.

1073. ISSUANCE OF LOI.

FAA will issue the LOI to the sponsor when the congressional notification is complete. The same official who normally signs a grant offer for the FAA will be the official who signs the LOI. The LOI should include the following:

- a.** LOI number and airport name (the number should be based on the region's three letter code, the fiscal year of issuance, and a sequential number, e.g., AGL-88-02, the second LOI issued by AGL in FY 1988);
- b.** A brief, but complete, project description;
- c.** The maximum amount of Federal funds which will be made available for the project;
- d.** A schedule of reimbursements by fiscal year and type of funds, (apportionment and/or discretionary);
- e.** A statement that the sponsor must comply with all statutory and administrative requirements;

f. A statement that the LOI is not considered to be an obligation of the United States, shall not be deemed an administrative commitment for funding, but shall be regarded as an intention to obligate from future budget authority as such funds become available; and

g. A statement that the LOI, with sufficient justification, may be amended to adjust the maximum Federal obligation, the payment schedule, or both. When entitlement funds (includes cargo and primary) are more than the amount scheduled in a year, the discretionary funds in the same year may be reduced by an amount equal to the increase in entitlement funds over the amount scheduled in the LOI. In this case, no adjustments have to be made to the future funding years in the original LOI allocation project. Conversely, however, if entitlement funds are less than that projected, discretionary funds will not be increased to compensate for the lower entitlement funds. The accurate projection of entitlement funds is very important to both parties.

1074. PROCEDURES.

A principal goal in establishing the LOI procedures is that projects to be funded in this way be treated as much like conventionally funded grant projects as possible. In order to ensure that all statutory and administrative requirements attendant to the normal grant process are satisfied, the FAA will evaluate sponsor CIP's, grant applications, and review proposed projects as is done for a normally funded AIP project. At the point where an Federal Airports Office would issue a notice of allocation to the sponsor, subject to APP-500 review, that office will instead issue a LOI. Grant applications and offers will follow as set forth in the LOI payment schedule, subject to the availability of funds. Actions should occur as outlined below:

a. **Early FAA/Sponsor Coordination.** An airport sponsor may initiate consideration of an LOI for a large capacity-enhancing project. The sponsor should be briefed early on the general features of LOI provisions and on actions that the sponsor should take to obtain an LOI. The FAA Airports Office will be the primary contact for the sponsor regarding an LOI. It may be desirable, from the sponsor's point of view, as well as the FAA's, to hold a joint meeting so that all parties understand the purpose and scope of the project, FAA authority and policy, and sponsor financial needs, schedules, and responsibilities. Since all LOIs require a BCA, and given the length of time required to review the BCA, the review of the BCA should be started upon receipt of the BCA not after LOI submittal. As a minimum, the FAA and the sponsor should meet to discuss the following points:

(1) A sponsor must notify the FAA of their intention to proceed with a project without federal funds through a request for a letter of intent. LOI applications must be submitted to the FAA no later than **March 1** of the fiscal year in which the LOI approval is being requested. Applications received after March 1 will be considered for the following fiscal year. The application should include all relevant support material such as the status of the federal environmental finding, ALP approval, BCA, and requested LOI payment schedule. The applicant should also note the source(s) and amount(s) of other financing for the project. If the sponsor receives an LOI and then proceeds without the aid of Federal funds, the sponsor may later be reimbursed under the terms of the LOI. The sponsor notice to proceed with a project without federal funds and request a letter of intent should be submitted during project formulation or with the CIP and should specify the forecast dates for implementing the project or stages of the project and the estimated costs associated with each stage of the project.

(2) A project under an LOI must satisfy all statutory and administrative programming requirements for an AIP project. Sponsors should be advised to proceed as though they had received Federal funds and should fulfill all environmental, civil rights, bidding, procurement, and contracting requirements associated with an AIP grant, even though no Federal funds have been received at the time the project was initiated.

(3) All documents normally submitted with a grant application should be submitted in support of a request for an LOI.

(4) The sponsor should agree to commit all, except to the extent that the FAA agrees funds may go to other projects of equal or greater priority, entitlements over the life of the LOI to the project. An exception may be made if entitlement funds are already committed for other urgent needs. In such a case, the payment schedule in the LOI may have no funds or reduced entitlements under the apportionment heading.

(5) An LOI may be issued with payments scheduled beyond the statutory expiration of the AIP, as authorized by the FY 1989 Department of Transportation and Related Agencies Appropriations Act (Public Law 100-457).

(6) The total of discretionary funds in all LOIs subject to future obligation is limited to approximately 50 percent of the forecast discretionary funds available for that purpose.

(7) Issuance of an LOI is considered a Federal action subject to the requirements of the National Environmental Policy Act. Consequently, all environmental actions must be complete before issuance of a letter of intent.

(8) An LOI may be amended in future years to adjust the total maximum Federal obligation, the schedule of payments, or both. Considerations that may lead to an amendment include, but are not limited to, a change in project cost, change in project timing or scope, or changes in future obligating authority.

(9) Alternative funding levels and schedules should be discussed. The FAA position is to use the LOI provision to encourage the maximum number of capacity-enhancing projects. Consequently, the FAA should ensure that sponsor resources are used to the maximum extent reasonable, and that Federal financial support should be the minimum amount needed to allow the project to proceed.

(10) Costs incurred prior to the issuance of an LOI, except project formulation costs, will not be reimbursed.

(11) Sponsors shall complete a BCA for LOI projects. The cost of preparing BCAs can be reimbursed as a project formulation cost when and if the project is approved for an AIP grant. The preparation of the BCA may also be part of a master plan project if such master plan effort is timely to the planned LOI project.

(12) LOIs are an important innovative financing tool. As such, an airport seeking an LOI must submit a financial plan that demonstrates how the LOI will leverage increased financial commitment from non-Federal sources and/or will cause the project to be accelerated. Financially superior LOI requests will be those that seek a greater percentage of the AIP funds later in the financial plan, divide the Federal participation over a longer time frame, and seek realistic overall Federal participation. Airports seeking earlier and larger AIP allocations should be encouraged to consider competing for funds through annual discretionary grants rather than LOIs.

b. FAA Actions to Approve the Project. Regions should notify APP-500 promptly when a sponsor expresses interest in obtaining a letter of intent. Preliminary information provided to APP-500 should include a general description of the project, the estimated cost, the proposed schedules for construction and reimbursement, and an indication of whether the project is a good candidate for an LOI.

All normal pre-application review and evaluation actions should be completed as if the project were being programmed for a grant. Similarly, the sponsor should be briefed on the importance of complying with all Federal procedures on bidding, civil rights, and contract award.

FAA has established a committee to review LOI proposals to insure all statutory requirements have been met and advise the Associate Administrator for Airports (ARP-1) on the selection of LOI proposals. The committee is composed of representatives from the Office of System Capacity (ASC), Office of

Aviation Policy and Plans (APO), and from the Associate Administrator for Airports (ARP). The committee is chaired by APP-500 and includes ARP representatives from APP-510, APP-520, and an airports regional division manager with no LOI candidate. This committee will review substantially complete LOI requests submitted by the March 1 deadline. The committee reviews the LOI proposal, system benefits, BCAs, and the financing package.

After ARP-1 selects the sponsors that will receive LOIs, APP-500 will complete the headquarters actions necessary to complete the approval process and initiate the OST/Congressional notification process. The Congressional notification will state the FAA's intention to grant funds, not to exceed the estimated total Federal share of allowable project costs, and any amounts that are approved for allocation in the current year.

1075. LOI FUNDS ALLOCATION.

At the beginning of each fiscal year, the FAA, in its administration of the AIP, sets aside the amount of discretionary funds to cover the LOI payment schedules. The sources of discretionary funds for existing and new LOIs are as follows:

- a. Large and Medium Hub Primary Airports-up to 50 percent of the Capacity/Safety/Security/Noise set aside.
- b. Small Hub Primary Airports-up to 50 percent of the "small hub" set-asides.
- c. Nonhub Primary Airports-up to 50 percent of the nonhub portion of the small airport fund.
- d. Air 21, Section 104(f), amended Title 49 U.S.C., Section 47117(e)(1), to establish a new reliever airport set-aside when the total annual amount made available for the AIP is \$3.2 billion or more. The amount of the new reliever set-aside is 0.66 percent of discretionary funds.
- e. Up to 50 percent of the undesignated discretionary (remaining discretionary) will be available for LOIs. Primary airports of all sizes and relievers may compete for these limited funds.

APP will ensure that, in any given fiscal year, FAA does not approve LOI payment schedules which would in future fiscal years exceed the 50 percent level in any category. It is important to stress to airport sponsors applying for LOIs that their requested payment schedules will have a significant impact on the review process and any unreasonable payment schedules may be cause for rejection of the application without further consideration of other factors.

Each fiscal year APP-500 will issue an analysis of existing LOIs and the impact of these LOIs on projected funding, including an estimate of projected availability of funding of new LOIs.

1076. POST-LOI ACTIONS.

All actions that would normally follow the notification of allocation, except those related to grant offer, acceptance and payments, must be completed as if a grant had been issued. If a sponsor proceeds without satisfying all of the "statutory and administrative requirements" associated with an actual grant, the commitment to reimburse the sponsor under the LOI may be voided. Sponsors should fully understand that failure to comply with all Federal requirements could jeopardize later reimbursements.

1077. LOI GRANT APPLICATION AND OFFER.

When the authority to obligate funds for a project under an LOI is received, the sponsor should be notified to submit a grant application and all additional documentation needed at that time. The SF-424 must provide the LOI project description. Additional documentation may include periodic construction progress reports, inspection reports, or other evidence of satisfactory progress. The grant application may be for costs already incurred or for prospective costs. If the application includes costs not yet

incurred however, the FAA should ensure that the costs are imminent, rather than anticipated at some unspecified date in the future.

Any grant issued for the same work as identified in an LOI will be considered in the LOI rather than as a separate action. This does not preclude the issuance of a separate grant for distinct work outside the scope of the LOI. No separate grants for projects covered within an LOI will be considered.

1078. ADMINISTRATION OF LETTERS OF INTENT.

There will be an ongoing need to maintain up-to-date records of outstanding commitments under the LOI provisions. In addition, projects constructed under LOIs are more likely to be complex and to require longer completion times than those initiated with current year allocations and grants. Consequently, there may be a need to periodically review the amount of funds originally agreed to in a letter of intent and adjust the estimate for funding needed in the out years. In any case, APP-500 must approve any changes in the amounts or status of such future funding agreements.

1079. AMENDMENTS TO LETTERS OF INTENT.

Because these projects will be administered in the same way as conventionally funded projects, there will be ongoing FAA field involvement as each project phase is completed, as subsequent phases come to bid, and as successive grants are issued under the LOI. In cases where significant changes in project scope or costs are apparent, the Federal Airports Office administering the project is authorized to issue an amended LOI, after APP-500 approval, revising the project description, increasing or decreasing the Government's maximum obligation, or revising the payment schedule. See Appendix 24 for a sample LOI amendment.

Substantial revision or abandonment of a project initiated under an LOI is not anticipated. In such an event, however, consult APP-500 to determine the appropriate course of action. Although the limitation on grant amendments (currently 15 percent) does not apply to LOIs, caution should be exercised in considering project changes that would substantially increase the cost.

1080. ADDITIONAL LETTER OF INTENT.

Should a sponsor seek to obtain another LOI for projects not covered by the first LOI, the sponsor's new proposal should be evaluated in the same way as the original.

1081. - 1089. RESERVED

Section 9. BLOCK GRANT PROCEDURES

1090. GENERAL.

This program consolidates funding to states for individual airport projects at selected locations and enhances State airport improvement responsibilities.

a. Authorization. Statutory authority exists for ten states to administer block grants on other than the primary airport projects.

b. Traditionally Federal Functions That States Will Perform. Block grant States perform some AIP administrative functions traditionally accomplished by the FAA, such as preparation of airport grant information for sponsors, reviewing of the sponsor's requests, and accounting for program expenditures. While various States have widely varying involvement in airport development, a State participating with block grants must accept the specific responsibilities of the program when it accepts the grant offer in writing. For purposes of the block grant program, states only assume functions related to the grant agreement.